



San Diego City Attorney **MICHAEL J. AGUIRRE**

NEWS RELEASE

FOR IMMEDIATE RELEASE: March 7, 2006

Contact: Maria Velasquez, Communications Director: (619) 235-5725 (pager & voicemail) mvelasquez@saniego.gov

CITY EMPLOYEES CAN NOW DIRECT SDCERS TO TRANSFER FUNDS USED TO BUY FUTURE PENSION SERVICE CREDITS BACK TO THEIR SAVINGS PLANS

San Diego, CA: A year ago, the City Attorney opined that the City's practice of permitting City employees to purchase prospective pension service credits to enhance their vesting period violated the City Charter. Now, any City employee can turn in those credits by directing the San Diego City Employees' Retirement System (SDCERS) to transfer the money used to purchase them back to their savings plans, 401 (k) or the Supplemental Pension Savings Plan (SPSP). Unlike the City's beleaguered pension system which is almost \$2 billion in the hole, the City employees' savings plans are funded at a solid 100%.

The City Attorney's Office has created a form to assist employees with their refund requests. As of 2005, about 3,000 City employees had purchased more than 13,000 years of service credits and in doing so transferred more than \$121,000,000 from their savings plans to the retirement system.

"Employees need to know that each dollar contributed to the retirement system under this plan is now only worth about 58 cents," said City Attorney Aguirre. By reversing the transaction, however, they will get a full refund and be made whole again," he added. "It is my recommendation that City employees discuss the request for refund with their attorney, accountant, or tax professional."

The City Attorney's Office has posted the form and an informational fact sheet on its web site. In addition, a modest fee may be associated with each request. The fact sheet also states that SDCERS may deny requests for refunds if the transaction involved the plan-to-plan type of transfer cited above. However, the City Attorney's Office is attempting to resolve these matters with SDCERS officials. Another type of payment used by City employees to purchase prospective pension credits was payroll deductions, which should also be reversible.

The City Charter requires that a general employee work ten (10) years before becoming vested in the retirement system and eligible to receive a pension from the City at age 62. Alternatively, an employee may work twenty (20) years in order to receive a pension from the City beginning at age 55. In 2002, voters defeated Proposition C, which proposed the ten year vesting period be shortened to five (5) years. Responding to the setback, the City Council amended the San Diego Municipal Code to allow any City employee to purchase a maximum of five years of prospective pension service credits to count towards their vesting period, which the City Attorney opined is illegal under the City Charter.

###